McGraw-Hill Economics

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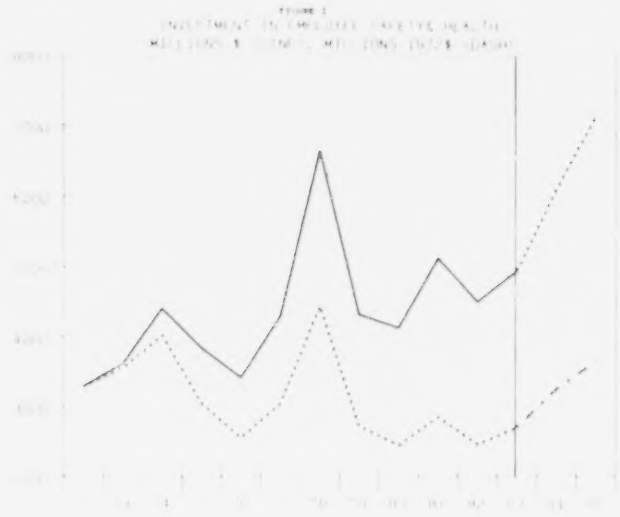
12TH ANNUAL McGRAW-HILL SURVEY OF
INVESTMENT IN EMPLOYEE SAFETY AND HEALTH

American Business plans to increase capital expenditures for employee safety and health by 23.7% this year to $6.1 billion (Table I).* This translates to an after-inflation rise of 20.5%. In contrast, plans for business spending on pollution control equipment--the other major "non-productive" capital outlay--show an increase of just 4.3%, according to the most recent McGraw-Hill survey of capital expenditures.

In 1985, business expects the upward trend in employee safety and health to continue, with expenditures expected to grow by 16.9% to $7.1 billion. If these plans are realized, spending on employee safety and health would approach a new historical peak that would top the $6.6 billion spent by business for such purposes in 1978 (Table III).

However, after adjustment for inflation, the safety and health spending numbers tell a different story. If the big 1984 plans are realized, "real" safety and health expenditures would only get back to 1972 levels. But if next year's big plans are also realized, then "real" safety and health expenditures would be 12% higher than the 1972 level. The historical pattern of safety and health expenditures is illustrated in Figure I.

*Tables with Roman numerals appear at back of report



These are the key findings of the "12th Annual McGraw-Hill Survey of Investment in Employee Safety and Health". The survey, conducted during March and April, drew responses from 540 companies that collectively account for 28% of total U.S. capital spending (all respondents did not answer the safety and health spending questions). However, the dollar figures provided in the survey represent spending for entire industries, not just for those companies that responded to the survey.

Much of the explanation for the large increase in planned expenditures in 1984 results from a deferral of spending for employee safety and health during the recession year 1982 and a relatively modest increase in spending in 1983. Companies cut safety and health spending in 1982 by 12.1% to $4.5 billion and boosted it in 1983 by 9.8% to $4.9 billion.

As long as the recovery stays on track, safety and health expenditures are projected to grow as a share of capital spending--up from 1.4% in 1982 and 1.6% last year to 1.7% in 1984 (Table II). This higher share, nonetheless, is still substantially lower than the share

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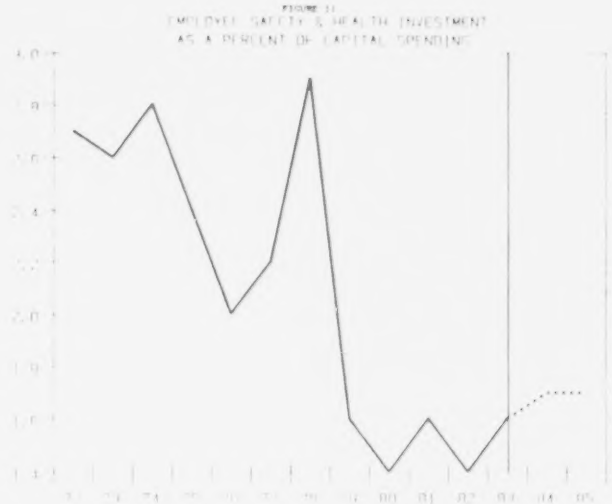
of spending allocated to employee safety and health during the 1970's (Table IV and Figure II).



Will the Trend Be Stronger?

While the survey respondents said they will slightly raise safety and health outlays as a share of overall capital spending, the share could turn out higher. True, relatively few new federal safety and health standards have been enacted in recent years, administration enforcement has grown more lax and most companies have already complied with most existing regulations.

However, a recently emerging trend is the proliferation of stiff state rules dealing with an assortment of safety and health- related issues, e.g. worker right-to-know about the use and effects of hazardous substances in the workplace. Faced with the threat of these new rules, many companies could upwardly revise their safety and health spending plans in the next few years. Thus, depending on the business cycle and the extent of legislative pressures, the share of capital spending allocated to employee safety and health could rise into the 2%-plus range in the second half of this decade.

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Industry Spending

In spite of the large increase planned by business in safety and health expenditures, several industries are curtailing their spending. Industries planning cuts include: food and beverage (-51.3%), autos, trucks and parts (-29.8%), airlines (-25.9%) and communication and other (-5%).

These declines are overshadowed by several industries that plan very large increases in safety and health spending. These include: stone, clay, and glass (117.7%), instruments (81%), textiles (79.9%) and iron and steel (75.5%). Other large gains are expected by rubber and plastics, railroads, trade and services, and fabricated metals.

The communications and other sector plans to spend the most on employee safety and health in 1984 ($843.4 million). Second largest planned spending is by non-electrical machinery ($712.6 million), followed by petroleum ($554 million).

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NOTE: The other durables category listed in the tables includes lumber, furniture, jewelry, toys, and transportation equipment other than autos and aerospace. Other nondurables includes apparel, tobacco, printing and publishing, and leather. The trade and services category includes retail and wholesale trade, banking, holding companies, insurance companies, hotels, laundries, and personal and business services. The communications and other category includes construction firms and transportation services other than airlines and railroads.

TABLE I

PLANS FOR INVESTMENT IN EMPLOYEE SAFETY AND HEALTH
(Millions of Dollars)

INDUSTRY	1983 ACTUAL	1984 PLANNED	1983-84 % CHANGE	1985 PLANNED	1984-85 % CHANGE
Iron & Steel	63.4	111.2	75.5	177.6	59.7
Nonferrous Metals	55.7	79.1	42.0	220.9	1,79.2
Electrical Machinery	301.2	404.2	34.2	509.8	26.1
Non-Electrical Machinery	594.7	712.6	19.8	786.1	10.3
Autos,Trucks & Parts	13.7	9.6	-29.8	22.8	1,36.7
Aerospace	145.5	228.8	57.2	252.7	10.5
Fabricated Metals	46.2	72.9	57.7	73.1	0.3
Instruments	83.7	151.5	81.0	168.4	11.2
Stone,Clay & Glass	47.2	102.7	117.7	126.5	23.1
Other Durables	129.1	188.7	46.2	224.7	19.1
TOTAL DURABLES	1,480.3	2,061.4	39.3	2,562.5	24.3
Chemicals	505.8	539.8	6.7	582.3	7.9
Paper & Pulp	114.8	170.3	48.3	205.7	20.8
Rubber & Plastic	69.9	111.7	59.7	100.2	-10.3
Petroleum	419.2	554.0	32.2	902.3	62.9
Food & Beverage	167.6	81.6	-51.3	80.6	-12.2
Textiles	86.3	155.3	79.9	79.2	-49.0
Other Nondurables	465.8	520.7	11.8	632.0	21.4
TOTAL NONDURABLES	1,829.4	2,133.4	16.6	2,582.4	21.0
ALL MANUFACTURING	3,309.8	4,194.9	26.7	5,144.9	22.7
Mining	25.3	29.0	14.4	32.2	11.1
Railroads	49.8	79.0	58.6	95.3	20.7
Airlines	37.8	28.0	-25.9	43.9	56.9
Electric Utilities	282.0	391.2	38.7	404.3	3.4
Gas Utilities	41.9	60.8	45.0	71.9	18.3
Communication & Other	888.2	843.4	-5.0	885.3	5.0
Trade & Services	310.6	490.4	57.9	470.4	-4.1
ALL NONMANUFACTURING	1,635.5	1,921.6	17.5	2,003.3	4.3
ALL BUSINESS	4,945.3	6,116.4	23.7	7,148.2	16.9

TABLE II

EMPLOYEE SAFETY AND HEALTH INVESTMENT
AS A PERCENT OF CAPITAL SPENDING

INDUSTRY	Actual 1983	Planned 1984	Planned 1985
Iron & Steel	2.1	2.5	2.5
Nonferrous Metals	2.3	2.1	2.1
Electrical Machinery	2.8	2.6	2.6
Non-Electrical Machinery	4.8	4.6	4.6
Autos,Trucks & Parts	0.2	0.1	0.1
Aerospace	3.0	3.4	3.4
Fabricated Metals	2.1	2.5	2.5
Instruments	3.3	5.0	5.0
Stone,Clay & Glass	1.9	2.9	2.9
Other Durables	3.4	4.9	4.9
TOTAL DURABLES	2.9	2.9	2.9
Chemicals	3.8	3.5	3.5
Paper & Pulp	1.9	2.6	2.6
Rubber & Plastic	3.7	4.1	4.1
Petroleum	1.8	1.9	1.9
Food & Beverage	2.5	1.1	1.1
Textiles	6.2	10.2	10.2
Other Nondurables	6.7	6.1	6.1
TOTAL NONDURABLES	3.1	3.0	3.0
ALL MANUFACTURING	3.0	3.0	3.0
Mining	0.2	0.2	0.2
Railroads	1.3	1.3	1.3
Airlines	1.0	1.2	1.2
Electric Utilities	0.8	1.1	1.1
Gas Utilities	0.6	0.7	0.7
Communication & Other	2.1	1.8	1.8
Trade & Services	0.4	0.5	0.5
ALL NONMANUFACTURING	0.9	0.9	0.9
ALL BUSINESS	1.6	1.7	1.7

TABLE III

INVESTMENT IN EMPLOYEE SAFETY AND HEALTH--HISTORICAL
(Millions of Dollars)

INDUSTRY	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Iron & Steel	$132	$ 86	$ 68	$ 57	$ 27	$ 33	$ 43	$ 56	$ 34.5	$ 168.0	$ 85.0
Nonferrous Metals	30	55	94	143	63	34	34	57	62.2	79.6	44.4
Electrical Machinery	68	74	77	82	106	107	125	153	160.4	144.3	180.1
Machinery	97	155	167	114	105	158	231	200	378.0	92.5	92.1
Autos, Trucks & Parts	144	169	370	80	40	198	159	349	92.3	110.9	27.7
Aerospace	22	35	66	59	74	70	84	158	28.2	64.3	68.1
Other Transportation Equipment	18	15	15	26	19	23	122	NA	NA	NA	NA
Fabricated Metals	19	33	45	30	31	115	84	98	35.9	100.6	43.8
Instruments	15	35	92	107	29	30	48	56	26.4	77.9	90.1
Stone, Clay & Glass	34	74	80	98	62	99	96	35	135.6	78.5	15.1
Other Durables	48	56	69	92	47	74	159	166	137.2*	182.8*	132.9*
TOTAL DURABLES	627	787	1,143	888	603	941	1,185	1,328	1,090.7	1,099.4	779.3
Chemicals	71	85	136	244	284	252	296	356	449.3	680.0	432.4
Paper	53	62	49	66	65	43	88	67	102.3	161.3	139.1
Rubber	14	34	132	66	31	30	36	48	144.8	74.3	46.6
Petroleum	62	168	197	240	118	228	446	146	165.5	239.0	338.3
Food & Beverages	92	98	97	109	192	154	203	126	151.2	279.5	119.0
Textiles	84	59	63	51	42	101	92	116	127.7	104.5	55.7
Other Nondurables	42	20	38	44	51	131	110	186	106.5	84.9	309.0
TOTAL NONDURABLES	418	526	712	820	783	939	1,271	1,045	1,247.3	1,623.5	1,440.1
ALL MANUFACTURING	1,045	1,313	1,855	1,708	1,386	1,880	2,456	2,373	2,338.0	2,722.9	2,219.4
Mining	101	103	222	171	134	305	13	114	362.3	775.6	272.8
Railroads	29	32	54	58	184	30	97	81	88.4	80.6	45.2
Airlines	48	36	25	24	52	17	253	60	52.7	15.2	67.5
Other Transportation	137	133	61	117	83	189	111	52	NA	NA	NA
Communications	305	739	536	458	541	565	704	418	488.0**	631.0**	233.9**
Electric Utilities	190	135	216	167	150	200	443	249	466.7	446.1	504.0
Gas Utilities	24	33	48	30	47	87	27	19	21.0	17.3	30.4
Trade & Services	1,400	1,092	1,386	1,109	838	1,018	2,541	951	310.6	431.7	1,129.4
ALL NONMANUFACTURING	2,234	2,303	2,548	2,134	2,029	2,411	4,189	1,944	1,789.7	2,397.5	2.283.2
ALL BUSINESS	3,279	3,616	4,403	3,842	3,415	4,291	6,645	4,317	4,127.7	5,120.4	4,502.6

* As of 1980 includes other transportation equipment.
** As of 1980 includes other transportation services.

TABLE IV

EMPLOYEE SAFETY AND HEALTH INVESTMENT
AS A PERCENT OF CAPITAL SPENDING--HISTORICAL

INDUSTRY	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Iron & Steel	12.3%	6.9%	3.5%	1.9%	0.9%	1.2%	1.7%	1.8%	1.1%	5.3%	2.4%
Nonferrous Metals	3.1	4.2	4.6	6.6	3.2	1.8	1.6	2.4	2.0	2.3	1.6
Electrical Machinery	2.4	2.1	2.0	2.6	2.9	2.3	2.2	2.1	1.7	1.4	1.7
Machinery	3.0	3.9	3.2	2.3	1.9	2.4	3.2	1.9	3.3	0.7	0.7
Autos, Trucks & Parts	4.8	4.4	8.6	2.4	1.1	3.4	2.2	4.2	1.0	1.1	0.4
Aerospace	3.3	4.0	4.4	3.5	4.4	3.5	2.6	3.0	0.4	1.0	1.1
Other Transportation Equipment	2.4	1.6	1.4	2.9	1.8	1.9	7.7	NA	NA	NA	NA
Fabricated Metals	1.3	1.8	2.3	1.5	1.4	4.6	2.9	3.2	1.2	3.4	1.7
Instruments	1.7	3.0	7.7	10.1	2.6	2.2	3.0	3.2	1.2	3.4	3.8
Stone, Clay & Glass	2.5	4.7	4.9	5.9	3.3	4.4	3.1	0.9	3.5	2.5	0.6
Other Durables	2.3	2.2	2.5	3.8	1.9	2.5	4.8	NA	1.9*	2.7*	2.5*
TOTAL DURABLES	3.4	3.5	4.2	3.4	2.1	2.8	2.9	2.6	1.5	1.8	1.4
Chemicals	2.1	2.0	2.1	3.2	3.5	3.1	3.5	3.3	3.6	5.0	3.3
Paper	3.6	3.1	1.7	2.2	2.1	1.2	2.2	1.2	1.5	2.4	2.3
Rubber	1.4	2.2	8.4	5.7	2.4	2.5	1.7	2.2	8.4	4.2	2.7
Petroleum	1.3	3.6	2.7	2.5	1.1	1.8	3.2	0.9	0.8	0.9	1.3
Food & Beverages	2.8	2.7	2.4	2.7	4.0	3.0	3.4	1.9	2.0	3.4	1.5
Textiles	7.9	5.7	5.8	5.7	4.0	8.0	6.7	7.7	7.9	6.7	4.2
Other Nondurables	1.9	0.8	1.6	1.9	2.2	4.8	3.2	3.9	1.8	1.3	4.7
TOTAL NONDURABLES	2.4	2.7	2.8	2.9	2.5	2.7	3.2	2.2	2.2	2.5	2.3
ALL MANUFACTURING	3.0	3.1	3.5	3.1	2.3	2.7	3.1	2.4	2.0	2.1	1.9
Mining	3.5	3.1	4.8	2.8	1.8	3.3	1.3	1.0	2.7	4.6	1.8
Railroads	1.7	1.5	2.0	2.0	6.4	1.0	2.8	2.0	2.1	1.9	1.0
Airlines	2.2	1.7	1.3	1.5	4.5	0.8	8.2	1.5	1.3	0.4	1.7
Other Transportation	4.8	4.2	1.7	2.8	1.7	4.5	2.7	1.2	NA	NA	NA
Communications	3.4	3.5	2.3	2.1	2.3	2.1	2.2	1.2	1.2**	1.4**	0.5**
Electric Utilities	1.4	0.9	1.3	1.0	0.8	0.9	1.8	0.9	1.7	1.5	1.5
Gas Utilities	0.9	1.1	1.5	0.9	1.3	1.9	0.5	0.3	0.3	0.2	0.4
Trade & Services	3.5	2.4	2.9	2.4	1.7	1.8	3.7	1.2	0.4	0.5	1.3
ALL NONMANUFACTURING	3.0	2.4	2.5	2.1	1.8	1.9	2.8	1.1	1.0	1.2	1.2
ALL BUSINESS	2.7	2.6	2.8	2.4	2.0	2.2	2.9	1.6	1.4	1.6	1.4

* As of 1980 includes other transportation equipment.
** As of 1980 includes other transportation services.